

AGENDA ITEM 4
AUDIT RESOLUTION STATUS - REAL ESTATE AUDIT FINDINGS
(PRIOR YEAR REPORTS WITH CURRENT YEAR UPDATES)
AS OF JUNE 30, 2008

Partner/Property	Auditor's Finding and Recommendation	Auditee Response and Status per Investment Office	Finding Status / Auditor Comment
IHP Capital Partners on behalf of PHBIA-Advisor Level (January 2007)	2. (III.B) Portfolio Management: Project Commitment Fee - The Auditors noted that the budgeted project commitment fee was included in the basis for calculating the project commitment fee. The Agreement does not state that the actual project commitment fee should be excluded; however, the Auditors believe that the inclusion of the project commitment fee within the fee basis overstates the actual fee billed. The Auditors' recalculation of this fee resulted in a total overpayment of \$10,966. The Auditors recommend that a credit be provided to CalPERS and Prudential Insurance Company of America in the amount of \$10,070 and \$896, respectively.	2. (III.B) IHP Partners response: IHP Capital Partners disagrees with the interpretation of Section 3.03 by the auditor. The project commitment fee should not be excluded from the basis of the fee. The agreement states "for purposes of calculating the Project Commitment Fee "project costs" shall include all costs and expenses expected to be incurred by the Project Owner in owning, developing,...as set forth in the Developer's pro forma budget." The Project Commitment Fee is a cost incurred by the Project Owner and it is in the pro forma budget. Response from Investment Office: IHP Capital Partners and the Investment Office are working toward resolving this issue.	2. (III.B) IN PROGRESS: The Auditor continues to recommend that the calculation of the project commitment fee should include all project costs less the actual fee earned.

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Global Forest Partners, LP General Partner Level (January 2007)	2. (III.B) Portfolio Management: Acquisition Fees - The Auditors noted that acquisition fees are being calculated and paid based on the capital call amounts from the Members rather than based on the purchase price as stipulated in the Agreement. As the Hume and Renova acquisitions are an on-going accumulation of properties with numerous escrows, the Auditors recommend that a true-up of acquisition fees including the purchase price of each acquisition from inception to date be performed with the resulting difference, if any, presented to CalPERS on a subsequent invoice. The Auditors recommend that all future acquisition fee invoices should be calculated based upon investment purchase prices pursuant to Section 4.1(f) of the Agreement.	2. (III.B) Global Forest Partners' response: [in part] "From 2006 Global Forest Partners has invoiced the acquisition fee at the time of the capital call, and managed the cash to earn investment return until such time as closing were made. Global Forest Partners considers it an administrative burden to invoice the fund the acquisition fee at each minor closing, given the rate is 30 to 50 transactions per annum. Global Forest Partners proposes that it continue to invoice the acquisition fee at time of closing for non-Hume transactions (Renova and any third geography) and for the larger Hume transactions, but that it continue to bundle acquisitions fees for the small Hume closings." [See final report for complete response] Response from Investment Office: Item 4 of the Fourth Amendment, effective July 2007, indicates that the Acquisition Fee be based on called capital so as to cover situations such as the teak establishment project in Guatemala where the funding is for working capital to establish plantations rather than purchase of an existing timberland asset. Global Forest Partners notes that pending resolution of the basis of Acquisition Fee payment, no such fees have been paid to Global Forest Partners on the sixth, seventh, eighth or ninth capital calls.	2. (III.B) COMPLETE: The Auditors recommend that the CalPERS Investment Office follow-up with GFP to obtain a true-up of the acquisition fees paid through June 30, 2007 in accordance with Section 4.1(f) of the Agreement. The Auditors concur that acquisition fees incurred subsequent to July 1, 2007 will be based on capital called pursuant to the terms of the Fourth Amendment to the Agreement.

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Global Forest Partners, LP General Partner Level (January 2007)	4. (III.D.1) Portfolio Management: Disbursement Testing – The Auditors noted a paid invoice in the amount of \$3,750 relating to the calculation of Global Forest Partners' co-investment in Sylvanus Partners, LP. Such costs are considered the responsibility of Global Forest Partners pursuant to Section 4.8(c) of the Agreement.	4. (III.D.1) Global Forest Partners response – “The Co-investment Agreement is a requirement by CalPERS. The calculation of the co-investment amount is properly an audit matter and was therefore appropriately paid by the Fund.” Response from Investment Office: Item 1 of the Fourth Amendment, effective July 2007, removes any ambiguity in the Agreement by specifying that third party costs incurred by the Manager in preparing required Fund reports are payable by Sylvanus.	4.(III.D.1) COMPLETE: Auditors concur with the corrective action.
Global Forest Partners, LP General Partner Level (January 2007)	5. (III.D.2) Portfolio Management: Disbursement Testing – The Auditors noted paid invoices totaling \$930 related to the partnership structure, drafting of the 2 nd Amendment to the Sylvanus Partners, LP agreement and buy-out rights relating to one of the Members of Sylvanus Partners, LP. Such costs are considered the responsibility of Global Forest Partners pursuant to Section 4.8(c) of the Agreement.	5. (III.D.2) Global Forest Partners response: “In Global Forest Partners' opinion the work by Foley Hoag drafting the Second Amendment is properly a Fund cost. GFP accepts that Foley Hoag work on a LP Member's buyout is a LP matter, and will isolate the cost and the LP will reimburse the fund.” Response from Investment Office: Item 1 of the Fourth Amendment, effective July 2007, removes any ambiguity in the Agreement by specifying that third party costs incurred by the Manager in preparing required Fund reports are payable by Sylvanus.	5. (III.D.2) COMPLETE: Auditors concur with the corrective action.

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Global Forest Partners, LP General Partner Level (January 2007 - MHM)	6. (III.D.3) Portfolio Management: Disbursement Testing - The Auditors noted legal fees totaling \$7,530 related to the drafting and discussion of the 3rd Amendment to the Agreement. Such costs are considered the responsibility of Global Forest Partners pursuant to Section 4.8(c) of the Agreement.	6. (III.D.3) Global Forest Partners response: "In Global Forest Partners' opinion the level of management fees and incentive fees is entirely a Fund matter and therefore the Foley Hoag invoice is appropriately a Fund cost. Global Forest Partners raised the issue with CalPERS because the Fund rates had fallen behind the market rate." Response from Investment Office: Item 1 of the Fourth Amendment, effective July 2007, removes any ambiguity in the Agreement by specifying that third party costs incurred by the Manager in preparing required Fund reports are payable by Sylvanus.	6. (III.D.3) COMPLETE: Auditors concur with the corrective action.

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